CANADA

National Energy Board

Reasons for Decision

Coastal Gas Marketing Company

Enron Capital & Trade Resources Corp.

PanEnergy Marketing Limited Partnership

ProGas Limited (Sales to Great Plains Natural Gas Company)

ProGas Limited (Sales to the City of Perham)

ProGas Limited (Sales to the U.S. Northeast)

United States Gypsum Company

GHW-2-96

March 1997

Gas Exports

National Energy Board

Reasons for Decision

Coastal Gas Marketing Company

Enron Capital & Trade Resources Corp.

PanEnergy Marketing Limited Partnership

ProGas Limited (Sales to Great Plains Natural Gas Company)

ProGas Limited (Sales to the City of Perham)

ProGas Limited (Sales to the U.S. Northeast)

United States Gypsum Company

Applications Pursuant to Part VI of the *National Energy Board Act* for Licences to Export Natural Gas

GHW-2-96

March 1997

Cat. No. NE22-1/1997-3E
ISBN 0-662-25476-7

This report is published separately in both official languages.

Copies are available on request from:
Regulatory Support Office
National Energy Board
311 Sixth Avenue S.W.
Calgary, Alberta
T2P 3H2
(403) 292-4800

For pick-up at the NEB office:
Library
Ground Floor

Printed in Canada

N° de cat. NE22-1/1997-3F
ISBN 0-662-81858-X

Ce rapport est publié séparément dans les deux langues officielles.

Exemplaires disponibles sur demande auprès du:
Bureau du soutien à la réglementation
Office national de l'énergie
311, sixième avenue s.-o.
Calgary (Alberta)
T2P 3H2
(403) 292-4800

En personne, au bureau de l'Office:
Bibliothèque
Rez-de-chaussée

Imprimé au Canada

Table of Contents

List of Tables

List of Appendices

Abbreviations

Act	*National Energy Board Act*
Bcf	billion cubic feet
Beau Canada	Beau Canada Exploration Ltd.
Board	National Energy Board
Coastal	Coastal Gas Marketing Company
Comox	Comox Valley Energy Research Group
DCQ	Daily Contract Quantity
DCV	Daily Contract Volume
DOE/FE	(United States of America) Department of Energy, Office of Fossil Energy
EIA	Export Impact Assessment
Enron Canada	Enron Capital and Trade Resources Canada Corp.
Enron	Enron Capital & Trade Resources Corp.
EUB	Alberta Energy and Utilities Board
FERC	(United States of America) Federal Energy Regulatory Commission
FS	Firm Service
GHR-1-87	*Review of Natural Gas Surplus Determination Procedures*
GHW-1-91	*Proposed Changes to the Application of the Market-Based Procedure*
GHW-4-89	*Review of Certain Aspects of the Market-Based Procedure*
GJ	gigajoule(s)
Great Lakes	Great Lakes Transmission Limited Partnership
Great Plains	Great Plains Natural Gas Company
IDCQ	Incremental Daily Contract Quantity
IGTS	Iroquois Gas Transmission System, L.P.
Jordan	Jordan Petroleum Ltd.
LDC	local distribution company
MAQ	Minimum Annual Quantity
MDQ	Maximum Daily Quantity
MBP	Market-Based Procedure
Mcf	thousand cubic feet
MMBtu	million Btu
MMcf	million cubic feet
National Fuel	National Fuel Gas Supply Corporation

NEB	National Energy Board
NGMA	Natural Gas Market Assessment
NOVA	NOVA Gas Transmission Ltd.
PNG	Pacific Northern Gas Ltd.
PanEnergy	PanEnergy Marketing Limited Partnership
PanEnergy Marketing	PanEnergy Marketing Canada Ltd.
PanEnergy Trading	PanEnergy Trading and Market Services, LLC
Perham	City of Perham
Pinnacle	Pinnacle Resources Ltd.
Poco	Poco Petroleums Ltd.
ProGas	ProGas Limited
ProGas U.S.A.	ProGas U.S.A. Inc.
Renaissance	Renaissance Energy Ltd.
Rio Alto	Rio Alto Exploration Ltd.
RR/P	remaining reserves to production ratio
Tcf	trillion cubic feet
TransCanada	TransCanada PipeLines Limited
U.S. Gypsum	United States Gypsum Company
Viking	Viking Gas Transmission Company

Recital and Appearances

IN THE MATTER OF the *National Energy Board Act* and the Regulations made thereunder; and

IN THE MATTER OF applications under Part VI of the *National Energy Board Act* for new licences to export natural gas by:

Coastal Gas Marketing Company, Enron Capital & Trade Resources Corp., PanEnergy Marketing Limited Partnership, ProGas Limited and United States Gypsum Company.

AND IN THE MATTER OF Hearing Order GHW-2-96;

HEARD in Calgary, Alberta, by written proceeding.

BEFORE:

R. Illing	Presiding Member
K. W. Vollman	Member
A. Côté-Verhaaf	Member

WRITTEN APPEARANCES:

L.G. Keough Sandy MacCulloch W.O. Strong III	Coastal Gas Marketing Company
L.G. Keough Dave Delainey	Enron Capital & Trade Resources Corp.
Stanley Carscallen Robert C. Edney	PanEnergy Marketing Limited Partnership
Magdalena A.K. Muir	ProGas Limited
Robert B. Cooper R.M. Perrin	United States Gypsum Company
C.J.C. Page Ross Estabrooks	Alberta Department of Energy
N.J. Schultz	Canadian Association of Petroleum Producers
Jim Brisebois	Comox Valley Energy Research Group
S. Milutinovic	Foothills Pipe Lines Ltd.
Anne M. Hessbrugge	Imperial Oil Resources
K. Lynn Meyer	Pan-Alberta Gas Ltd.

Patricia M. Cradock	Renaissance Energy Ltd.
David W. Rowbotham	Suncor Inc.
Gordon W. Toews	TransCanada Gas Services Limited
Murray Samuel	TransCanada PipeLines Limited
Gary R. Kline	U.S. Generating (Canada) Ltd.
L.A. Boychuk	Board Counsel

Chapter 1

Part VI - Gas Export Applications

1.1 The Applications

During the GHW-2-96 proceeding, the National Energy Board (the "Board" or "NEB") examined five applications for seven gas export licences from the following parties:

1. Coastal Gas Marketing Company ("Coastal");
2. Enron Capital & Trade Resources Corp. ("Enron");
3. PanEnergy Marketing Limited Partnership ("PanEnergy");
4. ProGas Limited ("ProGas"), three licences; and
5. United States Gypsum Company ("U.S. Gypsum").

Table 1-1 provides a summary of each export licence application considered during the GHW-2-96 hearing.

Table 1-1
Summary of Applied-for Licences

Application		Buyer (Type of market)	Term	Export Point	Maximum Quantities Applied For: Daily 10^3m^3 (MMcf)	Annual 10^6m^3 (Bcf)	Term 10^6m^3 (Bcf)
1.	Coastal	Coastal (U.S. Northeast sales portfolio)	1 November 1997 to 31 October 2007	Iroquois, Ontario	396.6 (14.0)	145.0 (5.1)	1 450.0 (51.0)
2.	Enron*	Enron (U.S. Northeast sales portfolio)	1 November 1997 to 1 November 2007	Niagara Falls, Ontario	435.9 (15.4)	159.0 (5.6)	1 590.0 (56.0)
3.	PanEnergy	PanEnergy Trading (U.S. Northeast sales portfolio)	1 November 1997 to 31 October 2007	Niagara Falls, Ontario	246.5 (8.7)	90.0 (3.2)	899.7 (31.9)
4.	ProGas*	Great Plains Natural Gas Company (U.S. Midwest system supply)	1 May 1997 to 31 October 1997	Emerson, Manitoba	225.0 (7.9)	41.4 (1.5)	-
			1 November 1997 to 31 October 2012		370.0 (13.1)	135.3 (4.8)	2 071.3 (73.1)
5.	ProGas*	City of Perham (U.S. Midwest system supply)	1 May 1997 to 31 October 1997	Emerson, Manitoba	67.0 (2.4)	12.3 (0.4)	-
			1 November 1997 to 31 October 2012		67.0 (2.4)	24.4 (0.9)	378.3 (13.4)
6.	ProGas	ProGas U.S.A. (U.S. Northeast sales portfolio)	1 November 1997 to 31 October 2007	Iroquois, Ontario	458.0 (16.2)	167.2 (5.9)	1 672.0 (59.0)
7.	U.S. Gypsum	U.S. Gypsum	1 November 1997 to 1 November 2007	Emerson, Manitoba	382.4 (13.5)	139.6 (4.9)	1 395.8 (49.0)

*As amended

Chapter 2

Market-Based Procedure

The Board is directed by Section 118 of the National Energy Board Act, in its consideration of applications to obtain a licence to export oil or gas, to have regard to all considerations that appear to it to be relevant. In particular, the Board should be able to satisfy itself, in accordance with subsection 118(a), that the quantity of gas to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeable requirements for use in Canada, having regard to the trends in the discovery of gas in Canada.

In July 1987, pursuant to a *Review of Natural Gas Surplus Determination Procedures* ("GHR-1-87"), the Board implemented a procedure, known as the Market-Based Procedure ("MBP"), by which the Board examines the merits of applications to obtain a gas export licence. The MBP is founded on the premise that the marketplace should generally operate in such a way that Canadian requirements for natural gas will be met at fair market prices. The MBP was modified following subsequent public hearings GHW-4-89 and GHW-1-91. The modifications do not affect the premise on which the MBP was founded.

The MBP provides that the Board will act in two ways to ensure that natural gas to be licensed for export is both surplus to reasonably foreseeable Canadian requirements and in the public interest: it will hold public hearings to consider applications for licences to export natural gas; and it will monitor Canadian energy usage and markets on an ongoing basis.

2.1 Public Hearings

During public hearings, the Board evaluates whether the market is functioning well. The three components considered by the Board are:

1) Complaints Procedure: The Board must consider any complaints from Canadian gas buyers who object to the proposed export on the grounds that they have not had an opportunity to buy gas on terms and conditions, including price, similar to those of the proposed export. The Complaints Procedure seeks to ensure that Canadian buyers, who have been active in the market, have access to gas supply on terms and conditions similar to those of export customers.

   By letter to the Board dated 23 January 1997, Comox Valley Energy Research Group ("Comox"), an intervenor in the GHW-2-96 proceeding, stated that it was invoking, in respect of the U.S. Gypsum gas export application, the MBP Complaints Procedure as defined in GH-3-94 on behalf of the residential customers of Pacific Northern Gas Ltd. ("PNG").

2) Export Impact Assessment ("EIA"): The EIA assists the Board in its determination of whether a proposed export is likely to cause Canadians

difficulty in meeting their energy requirements at fair market prices. The EIA sets out the impact of the proposed export on Canadian energy and natural gas markets. The Board's most recent EIA, which was prepared in consultation with the energy industry and other interested parties, was included in Chapter 6 of the NEB report entitled *Canadian Energy Supply and Demand 1993-2010 - Technical Report*, released in December 1994.

All GHW-2-96 applicants chose to rely on the EIA prepared by the Board in its 1994 Technical Report. In the case of two of the ProGas applications, the applicant relied on its own qualitative assessment, for the period extending from 2010 through October 2012. It submitted that its proposed export volumes were extremely small over this period and that they would not likely affect Canadian gas users' energy patterns.

3) Public Interest Determination: In order to determine whether the proposed export is in the public interest, the Board will assess any other factors that it deems relevant. Such factors include the following other public interest considerations which the Board will normally examine in conjunction with an export application:

- the likelihood that the licensed volumes will be taken;
- the durability of the export sales contract;
- whether the export sales contract was negotiated at arm's length;
- producer support for the gas export application;
- provisions in the export sales contracts for the payment of the associated transportation charges on Canadian pipelines over the term of the export sales contract; and
- the appropriate length for an export licence having regard to the adequacy of gas supply and associated export sales and transportation contracts.

The above-noted other public interest considerations are examples of the factors which the Board normally has regard to when assessing the merits of gas export licence applications. However, in specific proceedings, the Board may also consider any additional factors that appear to it to be relevant in the circumstances.

In the GHW-2-96 proceeding, as part of its examination of other public interest considerations, the Board considered the potential environmental effects of the proposed exports. For this purpose, the Board decided to rely on the necessary connection test described in the NEB Review of its Decision in GH-5-93 and the Reasons for Decision in GH-3-94. This test is used to establish the scope of the Board's assessment of the potential environmental effects of the applications to export gas. The Board will consider the environmental effects of new upstream facilities and activities only when those facilities or activities are necessarily connected to the requirements of the export licence. For a

necessary connection to exist, the export licence and new upstream facilities or activities must be integrated to the extent that they can be seen to form part of a single course of action.

2.2 Ongoing Monitoring

There are two main components to the Board's ongoing monitoring responsibility under the MBP:

1) assessments of Canadian energy supply and demand; and

2) natural gas market assessments.

The Act requires the Board to monitor the outlook for Canadian supply of all major energy commodities, including electricity, oil and natural gas and their by-products, and the demand for energy in Canada and abroad. Accordingly, the Board prepares and maintains forecasts of energy supply and demand and has, periodically, issued related reports after obtaining the views of provincial governments, industry and other parties.

Among matters analyzed are trends in the discovery of oil and natural gas in Canada, the evolving shares of the energy market served by various energy forms and the implications for the adjustment of the natural gas market in response to alternative supply and demand assumptions. These matters and others are contained in the Board's latest report, entitled *Canadian Energy Supply and Demand 1993-2010 - Trends and Issues*, released in July 1994, and the companion *Technical Report*, released in December 1994.

As the second part of its ongoing monitoring role, the Board will analyze shorter-term developments in natural gas supply, demand and prices, and publish reports on its findings. Generally, Natural Gas Market Assessments ("NGMA") and related statistical reports provide coverage of recent developments and near-term prospects for natural gas markets, competitive market activity, pipeline utilization for Canadian and export purposes, and the quantity of gas supply.

2.3 The Determination of Surplus by the MBP

In summary, the Board determines that the gas to be exported is surplus to Canadian needs if:

1) there are no complaints registered under the Complaints Procedure;

2) the EIA indicates that Canadians will have no difficulty in meeting their energy requirements at fair market prices;

3) in the view of the Board, there are no other major public interest concerns; and

4) ongoing monitoring suggests that markets are functioning normally and identifies no other issues relating to the evolution of supply or demand which cast doubt on the future ability of Canadians to meet their energy requirements.

Views of the Board

The concerns raised by Comox about the Complaints Procedure relate to the U.S. Gypsum application and, therefore, are dealt with in Chapter 8.

In respect of the EIA component of the MBP, the overall forecast of supply and demand for the period extending through 2010, as contained in the Board's Technical Report, indicates that Canadians would not likely experience difficulty in meeting their energy requirements at fair market prices with respect to the applications included in the GHW-2-96 proceeding, as amended. The Board is of the view that approval of the applied-for export licences, which total 9.5 10^9m^3 (335 Bcf) of gas proposed for export, would not change this conclusion.

Considering the relatively small quantity of applied-for volumes (2.5 10^9m^3 (86.5 Bcf)) in the two ProGas applications, along with the reasonable certainty that some level of natural gas exports will be sustainable beyond 2010, the Board is satisfied that the applied-for export volumes of natural gas by ProGas would not cause difficulties for Canadians in meeting their future energy requirements at fair market prices in the period beyond 2010.

During the course of the proceeding, the Board sought clarification regarding the nature of the supply arrangements supporting the applications of Coastal, Enron and PanEnergy. Based upon information contained within their applications, the Board initially understood that these applicants could rely on supply, other than that which had been submitted to underpin their applications, to meet their market obligations. All three applicants had indicated that they were engaged in the business of aggregating supply from a variety of sources to serve various markets in Canada and the U.S. These applicants later clarified that, in respect of their current export proposals, they were relying upon the specific producers' supply pools which they had submitted in support of their applications. Given this clarification, the Board was prepared, in this instance, to accept the submitted producer supply pools as the relevant supply filings in support of the export proposals of these three applicants and conducted its assessment on this basis.

With respect to the various other public interest considerations, the evidence of each applicant is presented in the individual chapters of these Reasons. The findings of the Board with respect to these considerations, and any other factors the Board has considered to be relevant, are contained in the "Views of the Board" section at the end of each respective chapter.

With regard to potential environmental effects of the proposed exports, the Board has determined that, in the current proceeding, there is no necessary connection between the applied-for export licences and any upstream facilities or activities.

The public hearing components of the MBP, including the Complaints Procedure, the EIA and other public interest considerations, combined with the Board's ongoing monitoring of activities of the industry through its NGMAs, supply and demand forecasts, and statistical reports, all contribute to the Board's overall understanding of

whether or not natural gas can be viewed as surplus to the foreseeable requirements of Canadians.

Taking all such factors into consideration in the current proceeding, the Board is satisfied that the quantity of gas proposed to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeable requirements for use in Canada, having regard to future trends in the discovery of gas in Canada.

Chapter 3

Sunset Clauses

3.1 Sunset Clauses

It has generally been Board practice in issuing a gas export licence to set an initial period of time during which, if the export of gas commences, the licence becomes effective for the full period of time approved by the Board. This condition in the licence is referred to as a sunset clause because the licence would expire if the export has not commenced within the specified timeframe. Inclusion of the sunset clause is intended to limit outstanding licences to those for which the gas actually starts to flow within a reasonable period of time after the decision. In the current proceeding, the Board questioned all applicants concerning the acceptability of a sunset clause in the applied-for licences.

As a matter of general practice, the Board has set the timeframe by which exports must commence at two years from the expected commencement of the licence term.

Chapter 4

Coastal Gas Marketing Company

4.1 Application Summary

By application dated 26 September 1996, Coastal sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending on 31 October 2007	
Point of Export	-	Iroquois, Ontario	
Maximum Daily Quantity	-	396.6 10^3m^3	(14.0 MMcf)
Maximum Annual Quantity	-	145.0 10^6m^3	(5.1 Bcf)
Maximum Term Quantity	-	1 450 10^6m^3	(51.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by Coastal would be underpinned by and produced from the corporate supply pools of Rio Alto Exploration Ltd. ("Rio Alto"), Pinnacle Resources Ltd. ("Pinnacle") and Jordan Petroleum Ltd. ("Jordan"). The gas would be transported on the NOVA Gas Transmission Ltd. ("NOVA") system to the Alberta border near Empress, Alberta. TransCanada PipeLines Limited ("TransCanada") would then transport the gas to the export point near Iroquois, Ontario. From the international border, the gas would be shipped on the Iroquois Gas Transmission System, L.P. ("IGTS") to Coastal's markets in the U.S. Northeast.

4.2 Gas Supply

4.2.1 Supply Sources

Coastal stated that the supply intended for export will be provided by the three producers. The producers will provide gas from their corporate supply pools sourced in Alberta.

4.2.2 Reserves

Coastal provided the Board with each producers' estimates of reserves from either an Alberta Energy and Utilities Board ("EUB") listing or reserves estimates prepared by its consultant. The submitted reserves exceeded the total requirements against those reserves. The producers submitted estimates of reserves as of year-end 1995, excepting Jordan whose estimates were as of 31 March 1996. These estimates totalled 11 628.9 10^6m^3 (410.5 Bcf).

4.2.3 Productive Capacity

Coastal submitted a comparison of productive capacity and annual requirements for each of the producers. These comparisons showed that the producers have adequate productive capacity to meet their commitments to Coastal over the majority of the term of the applied-for licence.

Coastal's annual supply and demand table compared the total annual purchase volumes and annual requirements. Since purchases were arranged to meet sales, the productive capacity volumes largely met the annual commitments.

4.3 Transportation

Coastal has a Firm Service ("FS") agreement for the requisite capacity on the NOVA system. Coastal has also executed a precedent agreement with TransCanada for the requisite FS capacity on the TransCanada system to transport the gas to the export point near Iroquois, Ontario. From the international border, Coastal would ship the gas to the U.S. Northeast pursuant to the precedent agreement it has executed with IGTS.

4.4 Market

Coastal is a gas marketing company serving a diverse portfolio of markets in Canada and the United States. Coastal markets in excess of 99 $10^6m^3/d$ (3.5 Bcf/d) of gas in Canada and the U.S., and in excess of 14.2 $10^6m^3/d$ (500 MMcf/d) in the U.S. Northeast. The proposed gas export would serve Coastal's market in the U.S. Northeast. Coastal's U.S. Northeast market portfolio consists primarily of local distribution companies, electric generation companies and industrial end-users.

4.5 Gas Sales Contracts

Coastal executed Letter Agreements with each of Rio Alto, Pinnacle and Jordan, dated 25 March 1996, governing the terms and conditions of the proposed export to commence 1 November 1997. Each Letter Agreement is subject to certain conditions precedent with respect to regulatory authorizations and FS transportation on TransCanada and IGTS.

The Letter Agreements between Coastal and each of Rio Alto, Pinnacle and Jordan provide for a Maximum Daily Quantity ("MDQ"), plus associated fuel, as follows:

Producer	10^3m^3	MMcf
Rio Alto	140.6	5.0
Pinnacle	140.6	5.0
Jordan	112.0	4.0
Total	393.2	14.0

Coastal stated that it will amend its contracts with each of Rio Alto, Pinnacle and Jordan such that the slight discrepancy in the MDQs therein will be commensurate with the applied-for MDQ.

If one of these producers fails to provide the nominated quantity up to the MDQ, it must indemnify Coastal for all incremental costs incurred by it and its customers in acquiring replacement volumes. Coastal would purchase a portion of the Minimum Annual Quantity ("MAQ") as Term Gas, subject to the terms and conditions of each Term Gas contract negotiated between Coastal and its Term Market customer, as agreed upon by the producer. All volumes of the MAQ not sold as Term Gas are deemed to be Spot Gas. Coastal is obligated to maintain a 100 percent load factor for Spot Gas purchases. In addition, Coastal is obligated to purchase 95 percent of the annualized MDQ. If Coastal fails to purchase the MAQ (other than in cases of *force majeure*), it is responsible for the opportunity costs with respect to replacement markets.

The price to be paid to each of Rio Alto, Pinnacle and Jordan is determined on a netback basis using the monthly volume weighted average price per MMBtu for both Term Gas and Spot Gas, less all transportation costs to the resale point, an Operations Fee, a Price Incentive Fee, related third party expenses, hedging losses, and replacement gas costs, plus any hedging gains. In addition, the pricing provisions provide each of Rio Alto, Pinnacle and Jordan the option of hedging their revenues utilizing financial derivative pricing. The price for Term Gas is determined on a customer-by-customer contract basis, subject to producer approval. The price for Spot Gas is the average price for Spot Gas transactions by Coastal. The monthly price index for gas sales by Coastal at points off IGTS is the New York City-Gate Index as published in the "*Gas Daily*" by Pasha Publications. Coastal is responsible for the NOVA and TransCanada charges. However, Coastal indicated that assignment of its NOVA transportation agreement to each of Rio Alto, Pinnacle and Jordan was anticipated upon the commencement of TransCanada service. In addition, the Letter Agreements provide for the assignment of TransCanada and IGTS service to each of Coastal's suppliers. Coastal indicated that the gas purchase agreements with each of the suppliers were negotiated at arm's length.

Coastal and each of Rio Alto, Pinnacle and Jordan have agreed to submit to binding arbitration should a dispute arise from the netback revenues, a replacement price index, or material changes in government regulations which frustrate the agreement.

Coastal estimated that the price at the Alberta border, as of 1 July 1996, would have been $Cdn. 1.90/GJ ($Cdn. 2.00/MMBtu).

4.6 Status of Regulatory Authorizations

Coastal stated that each of the three producers anticipated filing applications for gas removal permits with the EUB by 1 February 1997. Coastal filed an application with the DOE/FE for import authorization commensurate with the term of the applied-for licence.

Views of the Board

The Board notes that Coastal is a major marketer of gas in the U.S. Northeast and is obligated to purchase 95 percent of the annualized MDQ under the Letter Agreements between it and each of Rio Alto, Pinnacle and Jordan. In addition, there are penalties for deficient volumes. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board recognizes the market-oriented determination of the pricing provisions in the Letter Agreements between Coastal and each of Rio Alto, Pinnacle and Jordan, and that Term Gas pricing is determined in the market, subject to producer approval. The Board also recognizes that the Letter Agreements provide for binding arbitration. The Board is, thus, satisfied that the Letter Agreements will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the gas purchase agreements between Coastal and the three producers and is satisfied that they have been negotiated at arm's length.

To the extent that the three producers own the gas supply supporting this export licence application, a finding of producer support is not necessary.

The Board's examination of Coastal's submitted supply indicates that the producers' reserves exceed the total commitments against those reserves and that these producers have adequate productive capacity to exceed the requirements over the majority of the term of the applied-for licence. In addition, the Board notes that Coastal stated that the supply from the three producers would be the supply used to satisfy the market commitments.

The Board notes that Coastal is responsible for the transportation charges on NOVA and TransCanada. The Board is, therefore, satisfied that there are provisions for the payment of associated transportation charges on Canadian pipelines over the term of the agreements.

The Board notes that the gas sales and transportation agreements are all for a term and volume commensurate with the requested licence. In addition, Coastal has applied for the requisite regulatory import authorization and the producers were expected to have applied for the requisite removal permits. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Coastal, subject to the approval of the Governor in Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 5

Enron Capital & Trade Resources Corp.

5.1 Application Summary

By application dated 26 September 1996, as amended, Enron sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending on 1 November 2007	
Point of Export	-	Niagara Falls, Ontario	
Maximum Daily Quantity	-	435.9 10^3m^3	(15.4 MMcf)
Maximum Annual Quantity	-	159.0 10^6m^3	(5.6 Bcf)
Maximum Term Quantity	-	1 590.0 10^6m^3	(56.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	

Enron requested that the export licence not be conditioned so as to restrict the export to a single point.

The gas proposed to be exported by Enron would be underpinned by and produced from the Alberta corporate supply pool of Poco Petroleums Ltd. ("Poco"). The gas would be transported on the NOVA system to the Alberta border near Empress, Alberta. TransCanada would then deliver the gas to the export point at Niagara Falls, Ontario. From the international border, the gas would be shipped on the National Fuel Gas Supply Corporation ("National Fuel") system for delivery to Leidy, Pennsylvania in the U.S. Northeast.

5.2 Gas Supply

5.2.1 Supply Sources

Enron stated that the supply intended for export will be provided by Poco. Poco will provide gas from its corporate supply pool sourced in Alberta.

5.2.2 Reserves

Enron provided the Board with the EUB estimate of Poco's Alberta reserves totalling 18 852 10^6m^3 (669.2 Bcf). The submitted proven reserves as of year-end 1996 exceeded the total requirements against those reserves. The total commitments against this supply, including the applied-for volume, were 5 333 10^6m^3 (188.3 Bcf). In addition, Enron provided Poco's estimate of its total proven and

probable corporate Alberta supply totalling 27 110 10^6m^3 (962.2 Bcf). Total commitments against this supply, including the applied-for volume, were 12 501 10^6m^3 (441.3 Bcf).

5.2.3 Productive Capacity

Enron submitted a comparison of productive capacity and annual requirements for Poco which showed that Poco was able to meet its contractual commitments over the majority of the applied-for licence using current proven reserves. Poco's forecast of productive capacity was based on current productive capacity growing at an annual rate of five percent, which is conservative in Poco's view. Demand for existing contracts was expected to decline due to expected reduction in reserves dedication to aggregators, and expiry of long-term contracts.

5.3 Transportation

The gas proposed for export would be delivered to Empress pursuant to a FS agreement between NOVA and Poco. From this point, pursuant to a precedent agreement executed with TransCanada for the requisite FS capacity, Enron Canada would transport the gas to the export point at Niagara Falls, Ontario.

Enron has executed a precedent agreement with National Fuel covering the requisite capacity for shipment to Enron's market off Leidy, Pennsylvania in the U.S. Northeast.

5.4 Market

Enron is the largest purchaser and marketer of natural gas in North America. The gas proposed for export would form part of Enron's overall corporate gas supply portfolio to serve its markets consisting of short-, medium- and long-term sales in the U.S. Northeast. Enron has commitments to deliver over 400,000 MMBtu/d under its portfolio of contracts in the U.S. Northeast.

5.5 Gas Sales Contracts

The proposed export would be governed by an Enfolio Master Firm Purchase/Sales Agreement dated 1 June 1994 between Enron and Enron Canada as confirmed by letter agreement between those parties on 9 December 1996. The confirmation letter acknowledges the sale of 435.9 10^3m^3/d (15.4 MMcf/d), at the export point near Niagara Falls, Ontario, for a ten-year period commencing 1 November 1997. The gas purchase agreement between Enron Canada and Poco mirrors the gas purchase agreement between Enron and Enron Canada.

Poco executed a gas purchase agreement and confirmation letter with Enron Canada on 3 April 1996 and 9 December 1996, respectively. Poco is to provide a MDQ of 435.9 10^3m^3/d (15.4 MMcf/d), at a 100 percent load factor, plus fuel gas. Should Poco fail to deliver its MDQ obligation, it must indemnify Enron Canada for the sum of the default quantity multiplied by the Replacement Price Differential ("RPD"), plus liquidated damages. The RPD is the positive difference between the contract price and the amount Enron Canada paid to an arm's length third party to replace the deficient

quantity. Enron Canada must pay Poco a penalty should Enron Canada fail to take its MDQ obligation.

The contract price is based upon the Leidy Index for Spot Gas for CNG Transmission Corp. Appalachia, as published monthly in "*Inside FERC's Gas Market Report*". The agreement provides for redetermination of a price index should the price index cease to exist or the parties cannot agree on a substitute methodology. Poco is responsible for the NOVA charges and Enron Canada is responsible for the TransCanada transportation. The confirmation letter provides for assignment of the TransCanada transportation to Poco.

Enron stated that the gas purchase agreement between Enron Canada and Poco was negotiated at arm's length. Enron Canada or Poco may terminate the gas purchase agreement if the necessary Canadian and U.S. regulatory authorizations and transportation agreements are not obtained by 1 October 1997.

Enron indicated that the price at the Alberta border, as of 1 July 1996, would have been \$Cdn. 2.42/GJ (\$Cdn. 2.54/MMBtu).

5.6 Status of Regulatory Authorizations

Poco has applied for the required EUB removal permit. Until such time the permit is obtained, Poco intends to rely on existing EUB short-term Removal Permit No. GR95-021. Enron has applied for the requisite import authorization from the DOE/FE.

Views of the Board

The Board recognizes that Enron is a major marketer of gas in the U.S. and notes that Enron is obligated to purchase 100 percent of the MDQ. In addition, there are penalties for deficient volumes. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board notes the market-oriented approach used to determine the gas price. Furthermore, the pricing mechanism provides for redetermination of the price index. The Board is, thus, satisfied that the gas purchase agreement will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas purchase agreement between Enron Canada and Poco, and is satisfied that it has been negotiated at arm's length.

To the extent that the producer owns the gas supply supporting this export licence application, a finding of producer support is not necessary.

The Board is satisfied that the pricing provisions of the gas purchase agreement provide for the payment of the associated transportation charges on Canadian pipelines over the term of the contract.

With respect to Enron's request for a licence that is not conditioned with respect to the point of export, the Board notes that the commercial structure underpinning the applied-for export is supported by gas purchase and transportation contracts which indicate that the export point is Niagara Falls, Ontario. As well, the Board notes that the use of alternate export points to provide short-term flexibility may be accommodated through the use of short-term gas export orders. Given these factors, the Board is not persuaded to grant Enron's request for multiple export points.

The Board's examination of Enron's submitted supply indicates that Poco's reserves exceed the total commitments against those reserves and that Poco has adequate productive capacity to exceed the requirements over the majority of the term of the applied-for licence. In addition, the Board notes that Enron stated that the supply from Poco would be the supply used to satisfy the market commitments.

The Board notes that the gas purchase and transportation contracts are for a term and volume commensurate with the requested licence. In addition, Enron and Poco have applied for the requisite regulatory authorizations. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Enron, subject to the approval of the Governor in Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 6

PanEnergy Marketing Limited Partnership

6.1 Application Summary

By application dated 25 September 1996, as amended, PanEnergy sought, pursuant to Part VI of the Act, a licence for the export of natural gas, to be held by its general partner PanEnergy Marketing Canada Ltd. ("PanEnergy Marketing"), with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending on 31 October 2007	
Point of Export	-	Niagara Falls, Ontario	
Maximum Daily Quantity	-	246.5 10^3m^3	(8.7 MMcf)
Maximum Annual Quantity	-	90.0 10^6m^3	(3.2 Bcf)
Maximum Term Quantity	-	899.7 10^6m^3	(31.9 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by PanEnergy would be underpinned by and produced from the corporate supply pools of Beau Canada Exploration Ltd. ("Beau Canada") and Pinnacle. The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then deliver the gas to the export point at Niagara Falls, Ontario. From the international border, the gas would be transported to downstream markets in the U.S. Northeast on the National Fuel system.

6.2 Gas Supply

6.2.1 Supply Sources

PanEnergy stated that the supply intended for export will be provided by the two producers. The producers will provide gas from their corporate supply pools sourced in Alberta.

6.2.2 Reserves

PanEnergy provided the Board with each producer's estimate of reserves as determined by its consultants. The submitted proven reserves exceed the total commitments against those reserves. Beau Canada submitted estimates of reserves as of September 1996, totalling 5 458 10^6m^3 (193.7 Bcf). It also indicated it had added 404.8 10^6m^3 (14.4 Bcf) of proven reserves and 763.5 10^6m^3 (27.1 Bcf) of probable reserves as of 1 September 1996, for an overall total of 6 626.5 10^6m^3 (235.2 Bcf). Pinnacle submitted estimates of reserves of 6 175.5 10^6m^3 (218.0 Bcf) at year-end 1995. In addition, Pinnacle indicated that 1996 activity provided a further 1 390.0 10^6m^3 (49.1 Bcf), resulting in total reserves of

7 565.5 10^6m^3 (267.1 Bcf). The total commitments against the Beau Canada and Pinnacle supplies, including the applied-for volumes, were 3 683 10^6m^3 (130 Bcf) and 5 939.6 10^6m^3 (209.7 Bcf), respectively.

6.2.3 Productive Capacity

PanEnergy submitted a comparison of productive capacity and annual requirements for each of the producers, as well as a combined productive capacity and annual requirements comparison. In both cases, the producers were able to meet their contractual commitments using current proven reserves through the term of the applied-for licence.

6.3 Transportation

PanEnergy would take delivery of the gas from both Pinnacle and Beau Canada by means of NOVA inventory transfer and transport it to Empress, Alberta, pursuant to its FS agreement with NOVA. In this regard, each of Pinnacle and Beau Canada have sufficient NOVA FS transportation. If NOVA inventory transfer by Pinnacle and Beau Canada cannot be effected, PanEnergy also holds NOVA FS transportation to deliver the gas at Empress, Alberta, the delivery point. PanEnergy would transport the gas to the export point at Niagara Falls, Ontario, pursuant to the precedent agreement for the requisite FS capacity it has executed with TransCanada. From the international border, PanEnergy Trading and Market Services, LLC ("PanEnergy Trading") would then transport the gas to its markets in the U.S. Northeast, pursuant to its 12-year renewable FS agreement with National Fuel.

6.4 Market

The gas proposed for export will form part of PanEnergy Trading's corporate gas supply portfolio in the U.S. Northeast. PanEnergy Trading markets approximately 155 $10^9m^3/d$ (5.5 Bcf/d) of gas in North America, much of which is in the U.S. Northeast. As part of its U.S. Northeast sales portfolio, PanEnergy Trading currently supplies a number of firm long-term markets, including three large long-term electric and/or gas utility customers.

PanEnergy expects that the proposed export of gas will be used as part of PanEnergy Trading's overall gas supply portfolio to serve its wide portfolio of markets in the U.S. Northeast.

6.5 Gas Sales Contracts

PanEnergy will sell the gas underpinning the proposed export to PanEnergy Trading pursuant to an intercorporate agreement between the two parties, the "1997 Restated Gas Sale Agreement" dated 1 August 1996. This agreement is consistent with the pricing provisions of the upstream gas purchase agreements between PanEnergy and each of Pinnacle and Beau Canada, including commensurate terms (primary term) and volumes (daily quantity) supporting the applied-for export.

On 30 April 1996, PanEnergy Services Canada Ltd. (a division of PanEnergy) and each of Pinnacle and Beau Canada executed gas purchase agreements, as subsequently assigned to PanEnergy, to govern

the proposed export. The gas purchase agreements are subject to certain conditions precedent with regard to regulatory authorizations and FS transportation in Canada.

The gas purchase agreements between PanEnergy and each of Pinnacle and Beau Canada are similar with the exception of the purchase quantities. In this regard, each of Pinnacle and Beau Canada have an obligation to deliver to PanEnergy the daily volume of 105.5 10^3m^3 (3.7 MMcf) and 141.7 10^3m^3 (5.0 MMcf), respectively. If PanEnergy purchases alternative gas supplies to make up for default daily volumes by either Pinnacle or Beau Canada, the defaulting producer is liable to PanEnergy for the incremental difference in the price of purchases of alternate gas supply, incremental transportation costs to the export point, other reasonable expenses (including legal costs), and Cdn. $0.25/GJ. On the other hand, for PanEnergy's failure to take its daily volume, it is liable to the producer it defaulted with for the positive difference in price between selling the gas in an alternate market and the default purchase volumes that would have been sold (adjusted for transportation costs for an alternate delivery point), other reasonable expenses (including legal costs), and Cdn. $0.25/GJ.

Under the pricing provisions of the gas purchase agreements between PanEnergy and each of Pinnacle and Beau Canada, the price is indexed to the Niagara Index as published in "*Gas Daily*" by Pasha Publications Inc. The price paid for the gas is equal to the product of the Niagara Index and the total quantity of gas delivered, less Cdn. $0.02/GJ, all demand charges, commodity charges, fuel costs incurred by PanEnergy on TransCanada and FS charges incurred by PanEnergy on NOVA. If the parties fail to agree upon an alternative definition for the Niagara Index, the recourse will be binding arbitration. PanEnergy indicated that the gas purchase agreements between PanEnergy and each of Pinnacle and Beau Canada were negotiated at arm's length.

PanEnergy estimated that, under its gas purchase agreements with each of Pinnacle and Beau Canada, the price at the Alberta border, as of 1 July 1996, would have been $Cdn. 2.73/GJ ($Cdn. 2.87/MMBtu).

6.6 Status of Regulatory Authorizations

PanEnergy stated that it had filed its application for a gas removal permit with the EUB on 15 November 1996. In addition, PanEnergy indicated it would apply to the DOE/FE for an import authorization commensurate with the term of the applied-for licence.

Views of the Board

The Board notes that PanEnergy is obligated to purchase 100 percent of the MDQ under the gas purchase agreements with each of Pinnacle and Beau Canada. The Board also notes that there are penalties for deficient volumes. The Board further recognizes that PanEnergy Trading is a major marketer of gas in the U.S. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board observes the market-oriented approach to the determination of the gas price. The Board also notes that both gas purchase agreements provide for price

redetermination as well as binding arbitration. The Board is, thus, satisfied that the gas purchase agreements will remain attractive to the parties over the proposed term and are, therefore, durable.

The Board has examined the gas purchase agreements between PanEnergy and each of Pinnacle and Beau Canada, and is satisfied that they have been negotiated at arm's length.

To the extent that the two producers own the gas supply supporting this export licence application, a finding of producer support is not necessary.

The Board's examination of PanEnergy's submitted supply indicates that the producer's reserves exceed the total commitments against those reserves and that these producers have adequate productive capacity to exceed the requirements over the majority of the term of the applied-for licence. In addition, the Board notes that PanEnergy stated that the supply from the two producers would be the supply used to satisfy the market commitments.

The Board notes that PanEnergy is responsible for the transportation charges on the TransCanada system and that revenues generated under each of the gas sales contracts will likely be sufficient to enable either PanEnergy or the producers to cover their respective demand charges on the NOVA system. The Board is, therefore, satisfied that there are provisions in both gas sales agreements for the payment of the associated transportation charges on Canadian pipelines over the term of the proposed export.

The Board notes that the gas purchase and transportation agreements are for a term and volume commensurate with the requested licence. In addition, PanEnergy indicated that it had applied for the EUB removal permit and would apply for the requisite regulatory import authorization. The Board is, therefore, satisfied that the applied-for term of the licence is appropriate.

Decision

The Board has decided to issue a gas export licence to PanEnergy Marketing, subject to the approval of the Governor in Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 7

ProGas Limited

7.1 Application Summary

By application dated 26 September 1996, as amended, ProGas sought, pursuant to Part VI of the Act, three licences for the export of natural gas with the following terms and conditions:

<u>ProGas (Sales to Great Plains Natural Gas Company)</u>

Term	-	commencing on 1 May 1997 and ending on 31 October 2012
Point of Export	-	Emerson, Manitoba
Maximum Daily Quantity	-	225.0 10^3m^3 (7.9 MMcf) for the period 1 May 1997 to 31 October 1997, and 370.0 10^3m^3 (13.1 MMcf) commencing 1 November 1997
Maximum Annual Quantity	-	41.4 10^6m^3 (1.5 Bcf) for the period 1 May 1997 to 31 October 1997, and 135.3 10^6m^3 (4.8 Bcf) commencing 1 November 1997
Maximum Term Quantity	-	2 071.3 10^6m^3 (73.1 Bcf)
Tolerances	-	ten percent per day and two percent per year

<u>ProGas (Sales to the City of Perham)</u>

Term	-	commencing on 1 May 1997 and ending on 31 October 2012
Point of Export	-	Emerson, Manitoba
Maximum Daily Quantity	-	67.0 10^3m^3 (2.4 MMcf)
Maximum Annual Quantity	-	12.3 10^6m^3 (0.4 Bcf) for the period 1 May 1997 to 31 October 1997, and 24.4 10^6m^3 (0.8 Bcf) commencing 1 November 1997
Maximum Term Quantity	-	378.3 10^6m^3 (13.4 Bcf)
Tolerances	-	ten percent per day and two percent per year

ProGas (Sales to the U.S. Northeast)

Term	-	commencing on 1 November 1997 and ending on 31 October 2007	
Point of Export	-	Iroquois, Ontario	
Maximum Daily Quantity	-	458.0 10^3m^3	(16.2 MMcf)
Maximum Annual Quantity	-	167.2 10^6m^3	(5.9 Bcf)
Maximum Term Quantity	-	1 672.0 10^6m^3	(59.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	

ProGas would provide the gas for the proposed exports from its corporate pool in Alberta. Gas for the proposed exports would be transported on the NOVA and TransCanada systems to the international border points at Emerson, Manitoba and Iroquois, Ontario. From the international border, the gas would flow on the Viking Gas Transmission ("Viking") pipeline system to Great Plains and Perham in the State of Minnesota, and on the IGTS system to ProGas U.S.A.'s markets in the U.S. Northeast.

Gas has been exported to Great Plains and Perham under short-term authorization using existing long-term FS on NOVA and TransCanada. Since late 1995, gas has also been exported to the U.S. Northeast on a short-term basis using short-term IGTS capacity.

7.2 Gas Supply

7.2.1 Supply Sources

ProGas contracts its gas supply under long-term contracts, and has contracts with 170 producers in 200 areas in the Province of Alberta. ProGas also has a gas supply source under contract in British Columbia and Saskatchewan; however, ProGas does not intend to use this gas to support its current export proposal, as the Alberta supply exceeds the total applied-for volumes. ProGas' current total Daily Contract Volume ("DCV") is 1 300 10^3m^3/d (45 Bcf/d). Since 1993, ProGas has modified its gas purchase arrangements by creating a new deliverability contract. Although land and reserves continue to be dedicated, the DCQ is determined by the productive capacity of the wells within the lands under contract. The term of ProGas' deliverability contract is the life of the reserves dedicated under the contract. The producers will provide gas from their corporate supply pools sourced in Alberta.

7.2.2 Reserves

ProGas provided the Board with its EUB estimate of Alberta reserves. The submitted proven reserves exceeded the total requirements against those reserves.

ProGas' submitted estimates of total remaining established marketable reserves under contract from Alberta in the amount of 99 230 10^6m^3 (3,522 Bcf) as of year-end 1995. The EUB Reserves Under

Control Listing as of year-end 1995 for ProGas' Alberta lands under contract showed an adjusted total remaining established marketable reserves estimate of 86 100 10^6m^3 (3,056 Bcf). This volume is less than the ProGas estimate but sufficient to meet its total requirements, including the applied-for volumes, of 58 400 10^6m^3 (2,073 Bcf).

7.2.3 Productive Capacity

While ProGas did not intend to use its British Columbia and Saskatchewan reserves in support of the current application, the comparison of productive capacity and annual requirements for each of the producers did include British Columbia and Saskatchewan supply. The productive capacity chart indicated that ProGas could meet its commitments through the term of the applied-for licences. The annual supply and demand balance showed that productive capacity on a constrained basis can meet commitments over the term of the applied-for licences.

7.3 Transportation

ProGas would use its existing FS transportation on NOVA to transport the gas to Empress, Alberta. In addition, ProGas would use existing FS transportation on TransCanada to transport the following portions of the applied-for licence volumes:

- 225.0 $10^3m^3/d$ (7.9 MMcf/d) to the export point at Emerson, Manitoba, supporting the base contract volume destined for Great Plains;

- 67.0 $10^3m^3/d$ (2.4 MMcf/d) to the export point at Emerson, Manitoba, supporting the full contract volume destined for Perham; and

- 148.0 $10^3m^3/d$ (5.3 MMcf/d) to the export point at Iroquois, Ontario, supporting a portion of the applied-for volume destined for the U.S. Northeast.

ProGas has executed precedent agreements for FS capacity with TransCanada, dated 19 July 1996, to transport:

- 145.0 $10^3m^3/d$ (5.1 MMcf/d) to the export point at Emerson, Manitoba, supporting the incremental contract volumes destined for Great Plains; and

- 310.0 $10^3m^3/d$ (10.9 MMcf/d) to the export point at Iroquois, Ontario, supporting the balance of the applied-for volume destined for the U.S. Northeast.

ProGas U.S.A. would transport the gas from the international border to Great Plains and Perham on the Viking system, pursuant to existing agreements with Viking. ProGas U.S.A. has executed a precedent agreement for FS capacity with Viking to transport the incremental contract volume to Great Plains. As well, ProGas U.S.A. has executed a precedent agreement for FS capacity with IGTS to transport the applied-for volumes to markets in the U.S. Northeast.

7.4 Market

The gas to be exported would be used by Great Plains and Perham in the State of Minnesota, and to serve ProGas U.S.A.'s sales in the U.S. Northeast. Great Plains is a local distribution company located in Fergus Falls, Minnesota. Great Plains serves a number of communities located in northern Minnesota and Wahpeton in North Dakota. Great Plains' customer growth has increased by approximately three percent per annum over the last five years and is expected to continue for the next five years.

Perham is located in northern Minnesota and provides gas distribution to its own municipal system. Perham's number of customers is expected to almost double over the next two years.

The gas to be exported would represent essentially Great Plains' and Perham's entire long-term gas supply. Since the contract year 1992, ProGas U.S.A. has exported gas to Great Plains and Perham under short-term authorization, at 90 to 100 percent load factors.

ProGas U.S.A. has a portfolio of short-, medium- and long-term sales in the U.S. Northeast. The applied-for gas volumes for sales to the U.S. Northeast would underpin ProGas U.S.A.'s short-term sales which would have represented less than two percent of its total annual sales in 1994/95. Of ProGas' current total firm sales at the Iroquois export point, or off the IGTS system, approximately 94 percent is sold to long-term firm customers. Although ProGas indicates that ProGas U.S.A. is developing additional long-term markets in the U.S. Northeast, it would sell the applied-for gas quantities to its short-term market at a load factor of essentially 100 percent. ProGas expects that increased demand for natural gas in the U.S. Northeast will require the volumes it proposes to export.

7.5 Gas Sales Contracts

ProGas will sell the gas underpinning the three proposed exports to ProGas U.S.A., pursuant to an intercorporate gas purchase contract between ProGas and ProGas U.S.A., dated 1 July 1990, as amended.

Sales to Great Plains and Perham

ProGas U.S.A. executed gas sales agreements with each of Great Plains and Perham, dated 6 September 1996, with a termination date of 31 October 2012. Both agreements are subject to conditions precedent with respect to regulatory authorizations and transportation arrangements.

The gas sales agreement between ProGas U.S.A. and each of Great Plains and Perham are similar, with the exception of the contract volumes. The gas sales agreement with Great Plains provides for a base volume, the Daily Contract Quantity ("DCQ"), equal to 8 300 GJ (7,947 MMBtu), and an incremental volume, the Incremental Daily Contract Quantity ("IDCQ"), of up to 5 300 GJ (5,068 MMBtu), both inclusive of fuel. Great Plains may elect to reduce the IDCQ. ProGas U.S.A. also has the option to reduce the IDCQ on an annual or permanent basis in the event of alternative market opportunity, and agreement by Great Plains.

The gas sales agreement between ProGas U.S.A. and Perham provides for a base volume, the DCQ equal to 1 400 GJ (1,327 MMBtu), and the IDCQ, of up to 1 100 GJ (1,014 MMBtu), both inclusive of fuel. Perham has the option to reduce the DCQ, effective 1 November 2005.

Under each of the agreements, Great Plains and Perham are obligated to purchase all their respective gas supply from ProGas U.S.A. up to the DCQ, plus the IDCQ in effect. On the other hand, if ProGas U.S.A. fails to deliver, it must indemnify Great Plains or Perham, up to the replacement costs incurred, except for failure to deliver due to a *force majeure* event.

Under both agreements, the price is comprised of a demand charge and a commodity charge. The demand charge component is the sum of the transportation costs incurred on NOVA, TransCanada and TransGas Limited, plus ProGas' cost of service. The commodity component would be indexed to the Texas, Oklahoma and Kansas Index as published in "*Inside FERC's Gas Market Report*", less U.S. $0.16/MMBtu. Both agreements provide for renegotiation and arbitration of the commodity charge.

ProGas estimated that the netback price, as of 1 July 1996 at the Alberta border, under both of the gas sales agreements between ProGas U.S.A. and each of Great Plains and Perham would have been $Cdn. 2.79/GJ ($Cdn. 2.93/MMBtu).

Sales to U.S. Northeast

The gas purchase agreement with each of ProGas' producers provides for a netback pricing structure based upon the price ProGas receives from its customers. ProGas indicated that the producer netback for the proposed sales to the U.S. Northeast is based upon the Waddington average price for spot sales off IGTS. Under the gas purchase contract with each producer, this price is reduced by TransCanada, NOVA and all other Canadian transportation charges, ProGas' cost of service and any taxes or levies prescribed by law. The gas purchase contract with each producer provides for binding arbitration for the redetermination of the gas price.

ProGas estimated that the average netback price, as of 1 July 1996 at the Alberta border, for spot sales underpinning its markets in the U.S. Northeast was $Cdn. 2.15/GJ ($Cdn. 2.26/MMBtu).

7.6 Status of Regulatory Authorizations

ProGas intends to apply to the EUB to amend its long-term removal permit to underpin the applied-for licences. ProGas U.S.A. has received DOE/FE import authorization amending orders No. 1198-A and No. 1197-A for sales to Great Plains and Perham, respectively, as well as Order No. 1206 for sales to U.S. Northeast markets. Each DOE/FE import authorization has terms and volumes commensurate with ProGas' applied-for licences.

ProGas indicated that it received producer support for its sales to each of Great Plains and Perham, as well as the short-term sales covering the entire applied-for term to serve the U.S. Northeast.

Views of the Board

The Board notes that ProGas U.S.A. must provide the DCQ and IDCQ in effect under its gas sales contracts with each of Great Plains and Perham, and that there are penalties for deficient volumes. For its sales to the U.S. Northeast, the Board recognizes that ProGas is a major aggregator, and that ProGas U.S.A. has a large portfolio of sales in the U.S. Northeast. The Board is, therefore, satisfied in each case that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board notes that the gas sales agreements between ProGas U.S.A. and Great Plains and Perham contain market oriented pricing mechanisms which are supported by renegotiation and arbitration provisions. The Board is, thus, satisfied that the gas sales agreements between ProGas U.S.A. and each of Great Plains and Perham are likely to remain attractive to the parties over the applied-for term and are, therefore, durable. Furthermore, the Board notes that, since late 1995, ProGas U.S.A. has maintained a 100 percent load factor on its IGTS capacity for sales to short-term markets in the U.S. Northeast. The Board notes that the proposed export will be made at market-related prices. In addition, the Board is satisfied that the amount of gas to be exported to the U.S. Northeast is relatively small in relation to ProGas U.S.A.'s large and stable market portfolio and, therefore, the proposed sales to the U.S. Northeast, supported by the producers, will remain durable.

The Board has examined the gas sales contracts between ProGas U.S.A. and each of Great Plains and Perham, and is satisfied that they have been negotiated at arm's length. As well, given the nature of ProGas U.S.A.'s market portfolio in the U.S. Northeast, the Board is satisfied that the sales will be made at arm's length. The Board also notes that a finding of producer support was obtained under the Alberta Natural Gas Marketing Act.

The Board's examination of ProGas' corporate supply indicates that its reserves exceed the total commitments against those reserves and that ProGas has adequate productive capacity to exceed its requirements over the majority of the term of the applied-for licences.

The Board recognizes that ProGas is responsible for the NOVA and TransCanada charges and that under the gas sales arrangements for Great Plains, Perham, and the U.S. Northeast, the revenues generated will likely be sufficient to enable ProGas to cover the demand charges on both NOVA and TransCanada. The Board is, therefore, satisfied that there are provisions for the payment of the associated transportation charges on Canadian pipelines over the terms of each of the proposed licenses.

The Board notes that the gas sales and transportation agreements as well as the requisite regulatory import authorizations are for a term and volume commensurate with the requested licences supporting the sales to each of Great Plains and Perham. In addition, the transportation agreements supporting the sales to the U.S. Northeast and the requisite regulatory import authorization are for a term and volume

commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence terms are appropriate.

Finally, the Board notes that ProGas applied for commencement dates of 1 November 1996 for the proposed licences to serve sales to Great Plains and Perham. Since the Board does not backdate its licences, the applied-for term volumes must be adjusted to account for a shorter term. Assuming a commencement date of 1 May 1997 for the licences to serve Great Plains and Perham, the Board has reduced the applied-for term volumes by commensurate amounts. These volume reductions are the product of the individual DCQs and the number of days between 1 November 1996 and 1 May 1997. ProGas agreed with the method of calculating these reductions in the applied-for volumes.

Decision

The Board has decided to issue three gas export licences to ProGas, subject to the approval of the Governor in Council. Appendix 1 contains the terms and conditions of each of the licences to be issued.

Chapter 8

United States Gypsum Company

8.1 Application Summary

By application dated 23 September 1996, as amended, United States Gypsum ("U.S. Gypsum") sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending on 1 November 2007	
Point of Export	-	Emerson, Manitoba	
Maximum Daily Quantity	-	382.4 10^3m^3	(13.5 MMcf)
Maximum Annual Quantity	-	139.6 10^6m^3	(4.9 Bcf)
Maximum Term Quantity	-	1 395.8 10^6m^3	(49.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by U.S. Gypsum would be underpinned by and produced from the Alberta corporate supply pool of Renaissance. The gas would be transported on the NOVA system to the contract delivery point at the Alberta border near Empress. TransCanada would then deliver the gas to the export point at Emerson, Manitoba. From the international border, the gas would be shipped on the Great Lakes Gas Transmission Limited Partnership ("Great Lakes") system to U.S. Gypsum's industrial plants, either directly or from connecting downstream pipelines.

8.2 MBP Complaints Procedure Considerations

In its letter to the Board dated 23 January 1997, Comox suggested that "it would appear, on the face of it, that [United States] Gypsum Company is proposing to export natural gas at a lower price than that available to Canadian consumers." Comox stated that it was invoking the MBP Complaints Procedure, as defined in GH-3-94, on behalf of the residential customers of PNG. Comox provided a copy of its letter to PNG wherein Comox requested PNG "to attempt to negotiate purchase of this firm gas supply on behalf of the residential customers in the area served by PNG." In a subsequent letter dated 30 January 1997, Comox stated that it "is supported in this Complaint by Ms. Julie Siegel, Notary Public in the community of Kitimat", a PNG customer. Comox suggested that "GHW-1-91 refers to gas users but nowhere excludes residential gas users as being members of the class that can invoke the Complaints Procedure." Comox also stated, however, that "if PNG has no interest in the gas because the terms and conditions are not better than it can obtain elsewhere then we are satisfied that we have no complaint."

By letter dated 4 February 1997, the Board replied to Comox and requested clarification of its intention and, as appropriate, further evidence to demonstrate that Comox, or a gas buyer acting on behalf of the interests represented by Comox, has been active in the market, and that it has not been able to obtain supplies on terms and conditions similar to those contained in the export sales contract of U.S. Gypsum.

By letter dated 9 February 1997, Comox noted that the "netback" calculations in the U.S. Gypsum application do not include a demand charge for firm deliveries and, on this basis, Comox had drawn the assumption that "U.S. Gypsum is getting a better "deal" for its gas than is PNG."

By letter dated 4 February 1997, U.S. Gypsum advised the Board that neither U.S. Gypsum nor Renaissance, the seller under the relevant Gas Sales Agreement (the "Contract"), had been contacted by Comox with respect to either the terms of the Contract or the desire of Comox to purchase gas on terms similar to those in the Contract. Although clearly challenging Comox's standing to initiate a complaint as well as the validity of any complaint, U.S. Gypsum noted that the Contract requires the purchaser to pay a premium (of $0.05/Mcf) over the index price and, therefore, suggested that "it is reasonable to conclude that numerous sales (forming the basis of the index) will be transacted at more favourable prices than those to be paid by USG and, as a result that a "gas buyer" interested in purchasing gas would be able to do so at a price more favourable than that to be paid by USG." In its written argument, U.S. Gypsum reiterated that no "Complaint" had been registered.

No further comments/evidence were received from Comox although the opportunity to do so was provided for in the Board's letter dated 13 February 1997.

By letter to the Board dated 25 February 1997, PNG confirmed that it "has no intention of filing a "Complaint" under the "Complaints Procedure" of the National Energy Board's "Market-Based Procedure"."

8.3 Gas Supply

8.3.1 Supply Sources

U.S. Gypsum stated that the supply intended for export will be provided by Renaissance. Renaissance will provide gas from its corporate supply pool sourced in Alberta.

8.3.2 Reserves

U.S. Gypsum provided the Board with the EUB estimate of Renaissance's corporate Alberta reserves in the amount of 16 599 $10^6 m^3$ (588 Bcf). The submitted established reserves exceed the total requirements, including the applied-for volume, of 10 671 $10^6 m^3$ (366 Bcf).

8.3.3 Productive Capacity

U.S. Gypsum submitted a comparison of Renaissance's productive capacity and annual requirements. The comparison indicated that Renaissance has adequate productive capacity to meet the majority of the term of the applied-for licence.

8.4 Transportation

Renaissance holds FS transportation on the NOVA system. U.S. Gypsum has executed a precedent agreement with TransCanada for the requisite FS transportation to Emerson, Manitoba. From the international border, the gas would be shipped directly to industrial plants owned by U.S. Gypsum, pursuant to a seven-year renewable FS agreement with Great Lakes, or from connecting downstream pipelines from Great Lakes.

8.5 Market

U.S. Gypsum is principally a manufacturer of gypsum wallboard with manufacturing operations in the eastern and mid-western states of the U.S. The proposed export would represent almost 85 percent of the long-term requirements of a number of U.S. Gypsum's plants located in the U.S. midwest.

8.6 Gas Sales Contracts

Effective 1 August 1996, U.S. Gypsum and Renaissance executed a gas sales contract which is to commence 1 November 1997. The gas sales contract is subject to certain conditions precedent with regard to regulatory authorizations and FS transportation on NOVA, TransCanada, and Great Lakes.

The gas sales contract provides for a MDQ of 382.4 10^3m^3 (13.5 MMcf), plus associated fuel. U.S. Gypsum is obligated to nominate and take during each contract year 100 percent of the MDQ in effect on the first day of the contract year multiplied by the number of days in the contract year. Should U.S. Gypsum fail to take the MDQ in effect, it is obligated to pay Renaissance an amount equal to the default quantity multiplied by Cdn. $0.05/Mcf, plus: the product of the positive difference between the contract price in effect less the average price received by Renaissance from third party purchasers at the delivery point and the default quantity; and NOVA penalties. On the other hand, if Renaissance fails to supply any amount up to the MDQ, it is obligated to pay U.S. Gypsum an amount equal to the default quantity multiplied by Cdn. $0.05/Mcf, plus: the product of the positive difference of the average price for replacement gas at the delivery point less the contract price in effect and the default quantity; and TransCanada penalties.

The price to be paid to Renaissance is the one-month firm spot price index at Empress, Alberta as reported in "*Canadian Natural Gas Market Report*" published by Canadian Enerdata Ltd., plus Cdn. $0.05/Mcf. The price reference is subject to redetermination, either by mutual agreement or by binding arbitration. U.S. Gypsum indicated that the gas sales contract was negotiated at arm's length.

U.S. Gypsum indicated that the price at the Alberta border, as of 1 July 1996, would have been $Cdn. 1.22/GJ ($Cdn. 1.28/MMBtu).

8.7 Status of Regulatory Authorizations

Renaissance has received EUB gas removal permit No. GR 96-56. U.S. Gypsum has received DOE/FE import authorization Order No. 1220. Both regulatory authorizations have terms and volumes commensurate with the applied-for licence.

Views of the Board

Upon considering the correspondence of Comox and U.S. Gypsum in response, it is the Board's view that Comox has not provided sufficient evidence to demonstrate that it, or a gas buyer acting on behalf of the interests represented by Comox, is properly a complainant within the meaning of the Complaints Procedure. It is evident that Comox itself has not been active in the market as a gas buyer. Furthermore, the "letter of support" provided by Comox does not establish an appropriate authority to act on behalf of this individual in this matter and, in any event, does not demonstrate that the individual has been active in the market as a gas buyer and has not been able to purchase gas on terms and conditions similar to those contained in the subject gas export sales contract.

As noted by Comox, however, the Board has previously stated in its GHW-1-91 Reasons for Decision that any party who believes it has information which is relevant to the determination of surplus or any aspect of the Canadian public interest in relation to a gas export licence is free to submit such evidence to the Board. In this light and to this extent, the Board has considered the information provided by Comox but has nevertheless determined, as argued by U.S. Gypsum, that "Comox has failed to demonstrate that the granting of the requested application would be to the prejudice of Canadian gas buyers" or would otherwise conflict with the Board's responsibility under Section 118 of the NEB Act in this regard.

The Board notes that U.S. Gypsum is obligated to purchase 100 percent of the annualized MDQ, and there are penalties for deficient volumes. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board observes that the gas sales agreement provides for market-oriented pricing which is subject to redetermination, either by mutual agreement or by binding arbitration. The Board is, thus, satisfied that the gas sales agreement will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas sales agreement between Renaissance and U.S. Gypsum, and is satisfied that it has been negotiated at arm's length.

To the extent that the producer owns the gas supply supporting this export licence application, a finding of producer support is not necessary.

The Board's examination of the Renaissance corporate supply indicates that its reserves exceed the total commitments against those reserves and that Renaissance has adequate productive capacity to exceed its requirements over the majority of the term of the applied-for licence. In addition, Renaissance has provided a corporate warranty to U.S. Gypsum regarding its deliverability contract.

The Board recognizes that U.S. Gypsum is responsible for the TransCanada charges and that revenues generated under the gas sales agreement will likely be sufficient to enable Renaissance to cover the demand charges on the NOVA system. The Board is, therefore, satisfied that there are provisions in the gas sales agreement for the payment of the associated transportation charges on Canadian pipelines over the term of the agreement.

The Board notes that the gas sales and transportation agreements as well as the requisite regulatory authorizations are all for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to U.S. Gypsum, subject to the approval of the Governor in Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 9

Disposition

The foregoing chapters constitute our Decisions and Reasons for Decision in respect of those applications examined by the Board in the GHW-2-96 proceeding.

R. Illing
Presiding Member

K. W. Vollman
Member

A. Côté-Verhaaf
Member

Calgary, Alberta
March 1997

Appendix I

Terms and Conditions of the Licences to be Issued

Terms and Conditions of the Licence to be Issued to Coastal Gas Marketing Company

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 31 October 2007.

   (b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that may be exported under the authority of this Licence shall not exceed:

   (a) 396 600 cubic metres in any one day;

   (b) 145 000 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 1 450 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Iroquois, Ontario.

Terms and Conditions of the Licence to be Issued to Enron Capital & Trade Resources Corp.

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 1 November 2007.

   (b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that may be exported under the authority of this Licence shall not exceed:

(a) 435 900 cubic metres in any one day;

(b) 159 000 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 1 590 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Niagara Falls, Ontario.

Terms and Conditions of the Licence to be Issued to PanEnergy Marketing Canada Ltd.

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 31 October 2007.

(b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that may be exported under the authority of this Licence shall not exceed:

(a) 246 500 cubic metres in any one day;

(b) 89 972 500 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 899 700 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Niagara Falls, Ontario.

Terms and Conditions of the Licence to be Issued to ProGas Limited (Sales to Great Plains Natural Gas Company)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 May 1997 and shall end on 31 October 2012.

   (b) The term of this Licence shall end on 1 May 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that may be exported under the authority of this Licence shall not exceed:

   (a) 225 000 cubic metres in any one day for the period 1 May 1997 to 31 October 1997; and 370 000 cubic metres in any one day for the period 1 November 1997 to 31 October 2012;

   (b) 41 400 000 cubic metres for the period 1 May 1997 to 31 October 1997; and 135 300 000 cubic metres in any consecutive twelve-month period ending on 31 October for the period commencing 1 November 1997; or

   (c) 2 071 300 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.

Terms and Conditions of the Licence to be Issued to ProGas Limited (Sales to the City of Perham)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 May 1997 and shall end on 31 October 2012.

   (b) The term of this Licence shall end on 1 May 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that may be exported under the authority of this Licence shall not exceed:

   (a) 67 000 cubic metres in any one day;

(b) 12 300 000 cubic metres for the period 1 May 1997 to 31 October 1997; and 24 400 000 cubic metres in any consecutive twelve-month period ending on 31 October for the period commencing 1 November 1997; or

(c) 378 300 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.

Terms and Conditions of the Licence to be Issued to ProGas Limited (Sales to the U.S. Northeast)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 31 October 2007.

(b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that may be exported under the authority of this Licence shall not exceed:

(a) 458 000 cubic metres in any one day;

(b) 167 203 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 1 672 034 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the points of export near Iroquois, Ontario.

Terms and Conditions of the Licence to be Issued to United States Gypsum Company

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 1 November 2007.

   (b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that may be exported under the authority of this Licence shall not exceed:

   (a) 382 400 cubic metres in any one day;

   (b) 139 600 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 1 395 800 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.